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TAGS: [KTEX](#) [ECON](#) [ETRD](#) [EINV](#) [EG](#) [USTR](#)
SUBJECT: TRACKING CHANGES IN TEXTILES AND APPAREL EMPLOYMENT
AND PRODUCTION AFTER QUOTA ELIMINATION

REFS: A)STATE 146213 B) 04 CAIRO 07291

1. The following data responds to ref A request for specific data and information on textiles and apparel production, trade and employment.

Total Industrial production

Figures are for Egyptian fiscal year (July-June);
conversion based on a LE5.8/USD exchange rate.

2003/2004	2004/2005
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\$47.50 billion	\$49.26 billion

Total textiles and apparel production

Updated data for 2004-2005 is not available. Figures are for Egyptian fiscal year (July-June) and by quantity, not USD value. Textiles production data includes cotton yarn, wool yarn, silk yarn and artificial fibers.

	2002/2003	2003/2004
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Textiles (thous. tons)	409.2	402.8
Blankets (mill. pieces)	15.0	15.5
Apparel (mill. pieces)	277.0	286.4

Textiles and apparel's share of Egypt's imports and exports

Total represents the share of textiles and apparel trade in Egypt's imports and exports. Figures are for calendar year. 2005 figures cover period first quarter (January-March).

	IMPORTS		EXPORTS	
	2004	2005	2004	2005
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Textiles	0.50%	0.58%	4.06%	5.29%
Apparel	0.58%	0.29%	2.29%	2.20%
Total	1.08%	0.87%	6.34%	7.49%

Total manufacturing employment

Updated data is not available. Available figures are for workers in industry and mining in fiscal years. According to a broader definition of commodity sectors -- which includes industry and mining, petroleum and products, electricity and water and construction -- the figures reach as high as 4.2 million workers in 2001/01 and in 2001/02 and 4.3 million workers in 2002/03.

2000/2001	2001/2002
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2.1 million	2.2 million

Total textiles employment and total apparel employment

According to an August 2004 study conducted by the American Chamber of Commerce in Egypt (AMCHAM) and anecdotal information from contacts in the sector, the total number of workers in the textiles/apparel sector (formal/informal and public/private sectors) is about one million. Official detailed data on the number of workers in the textiles and apparel sectors is not available.

2. Are host country producers receiving lower prices due to heightened international competition? Have the manufacturers received more, less, or the same number of

orders as in years past? Have foreign investors, including Asian investors, closed factories or otherwise pulled out of local production?

-- Official information regarding prices and orders received by producers following the elimination of textiles quotas is not available. There have been no reports of factories closing down and pulling out of local production because of increased international competition.

13. Have the U.S. safeguards or the EU deal affected the export prospects for your host country manufacturers? Has your host government implemented, or is it considering implementing safeguards or other measures to reduce the growth of imports of Chinese textiles and apparel products into the host country?

-- The U.S. safeguards and EU deal have not immediately affected export prospects for Egyptian manufacturers due to the preferential treatment the latter receive under the QIZ and European-Egyptian Association agreements. The Egyptian Ministry of Foreign Trade and Industry (MOFTI) is allowing U.S. and European manufacturers to register their overseas factories producing goods under U.S. labels and to export those goods into Egypt. Imports of brands not internationally known face stricter registration requirements. Importers must demonstrate through a certification process that the foreign factories comply with international labor and environmental standards and follow customary rules of origin procedures. These effect of this certification process appears aimed at limiting low quality goods from Asian countries, especially China.

14. Has increased global competition affected local labor conditions by causing employers to reduce wages, seek flexibility from government-required minimum wages, or adversely affected union organizing?

-- Wages, local labor conditions and union organizing in Egypt are regulated by labor law 12 of 2003. There have no reports of employers seeking reductions in compensation for workers due to the increased global competition in textiles and garments production.

15. Has the government or private industry taken action to increase the host country's competitiveness, such as improving infrastructure, reducing bureaucratic requirements, developing the textiles (fabric production) industry, moving to higher value-added goods, or identifying niche markets. Does post think that the host government or private industry's strategy will be successful? If host government is the partner in a free trade agreement or a beneficiary of a preference program such as AGOA, CBTPA, or ATPDEA, will this be sufficient for the country to remain competitive? Overall, if not already addressed, does post think that the host country can be competitive in textiles and apparel exports with the end of global textiles and apparel quotas?

-- A research paper by the Institute for International Economics titled "Egypt after the Multi-Fiber Arrangement: Global Apparel and Textile Supply Chains as a Route for Industrial Upgrading" analyzes the competitiveness of Egypt's textile and apparel sector and its future prospects (<http://www.iie.com/publications/wp/wp05-8.pdf>). According to the paper "it has been suggested that in the post-MFA era, relative proximity to the European market could be a source of competitive advantage to Egyptian producers. Application of a formal supply chain model finds that could indeed have an impact on competitiveness, but the effect is not tremendous, amounting to a 0.3 to 0.9 increase in profits for every week improvement in lead times. The business environment in Egypt continues to lag a number of competitor countries, though recent reforms are addressing a number of these constraints on competitiveness."

-- The MOFTI has taken steps since the appointment of the new Minister in July 2004 to improve the investment climate and reduce bureaucratic processes impeding manufacturers, especially in the textiles and garments sector. Several initiatives have been implemented through the Industry Modernization Program co-funded by the European Union to improve the textiles industry and increase its competitiveness. Egypt has also signed the QIZ agreement in December 2004, which allows duty free entry of goods to the U.S. for goods with qualifying Israeli and Egyptian content ratios. The Egyptian garments industry has been the main beneficiary of this agreement, as it allows manufacturers to compete with low-cost Chinese products.

-- The Egyptian textiles and ready made garment industry has the potential to increase its competitiveness and exports to foreign markets. It will require Egyptian manufacturers to increase their productivity and efficiency and take advantage of Egypt's proximity to major markets in Europe and the U.S. and the beneficial treatment accorded Egypt in agreements with these trading partners. The existing

preferential trade agreements with the U.S., including the GSP and the QIZ, are not solely sufficient for Egypt to remain competitive, but do create the opportunity for Egypt to reform its industry, investment climate and export-import processes to increase its competitiveness and take an active role in increasing its share in the textiles and garments international trade. Major garment producers are well aware of these issues and are undertaking steps to improve productivity and quality.

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